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PENSIONS FOR PUBLIC EMPLOYEES

MILTON CONOVER

During 1918-20 twenty-four states enacted some form of pension legislation for public officials and employees. Congress established a retirement system for civil service employees. Various Canadian provinces, several British colonial governments, and a few European states legislated in favor of civil pensions.

In the United States this recent activity is the culmination of a half century of agitation, experimentation and controversy in the matter of civil pensions, whether national, state, county or municipal. Private pensions in various American industries have doubtless favorably influenced the development of government pensions.

This development has resulted in the use of many conflicting definitions of the term "pension." Due to some aversion to that word, many confusing substitute terms have been used such as: retirement system, vocational insurance, deferred pay, indefinite leave of absence, retiring salary, graduated bonus, gratuity, annuity, superannuation allowance, service relief, old age assurance, provident fund, actuarial equivalent, and public officers' guarantee fund. As used in this article the term civil pension is intended to imply a regular allowance granted to a person for that person's maintenance or the maintenance of one or more persons dependent on the pensioner, that allowance being usually paid in consideration of the pensioner's meritorious services to the grantee; but it may be granted as a deferred wage or salary, as an annuity or as a form of regularly paid charity without reference to any consideration of gratuity, of wages, or of deferred dividends. It is a stated payment made by a civil government to an employee, to a former employee, or to a subject of that government without a corresponding immediate service.

Civil Pension Commissions. In order to study the problem of a sound pension system, six states have recently created commissions. New York City has made a searching investigation of her pension system. The first report was made in 1913. This showed that the pension funds for the police, firemen, and teachers were bankrupt. They totaled a deficit of \$154,500,000. In 1916 the deficit was \$202,775,568.¹ During 1916-18, the mayor's commission on pensions made a report in three parts, giving a descriptive analysis of New York's nine pension plans.² This report emphasized the "condition of inequality in pension powers and extravagance of pension policies," which had resulted from haphazard and ill-considered legislation which put into operation those systems and concluded that "the most ineffective and expensive way of dealing with superannuated and incapacitated employees is to place dependence on enforced reductions and dismissals of the incapacitated, on the basis of efficiency ratings or for other causes, rather than on the basis of a sound pension system."³ Consequently the subsequent 1918 pension report of the same commission proposed a new retirement system, entrance into which would be compulsory on future employees of the city. It is improbable that a more scientific system of civil service retirement had ever been devised in America. The actuarial basis for the financial structure of the new plan was outlined in detail by professional actuaries. A retirement plan was proposed "to cover all entrants into the municipal service with pensions for optional participation by present employees of the City of New York."

These reports published by the New York commission analyzed the pension systems of the city, indicated the inequalities in the various groups of employees, furnished computations of rates of contributions to be made by the employees, and outlined the principles upon which a new pension system should be constructed.

In 1919, the New York legislature created a state pension commission of seven members. They reported on March 30,

¹ Report of the Pension Funds of the City of New York, pt. 3, p. 11.

² *Ibid.*, pt. 2, p. 3.

³ *Ibid.*, p. 1.

1920, and proposed a plan which was partially applied in the acts of the 1920 legislature. Like the New York City commission, they concluded that "to attain the highest level of efficiency, the governmental service of the state requires a system for the retirement of superannuated and disabled employees."⁴ The commission outlined principles which they believed should be followed in all pension legislation, advocated "contributions by the government payable at the time when the service is rendered on account of which the retirement benefits will be payable," and insisted that there be created no new pension systems "calling for public support where definite calculations are not available as to the costs involved and where proper provision to cover the liabilities as they accrue is not made."⁵

Two of the most important reports yet made in this country are those of the Illinois pension laws commissions, created in 1915 and 1917. The first commission made a detailed report in 1917, analyzing the experience within the state, and indicating that a number of the pension funds were insolvent.⁶ The commission made certain concrete recommendations, but was unable to complete all the investigations thought necessary, or to draft its recommendations in the form of proposed legislation. For this reason a second commission was created, and upon it were appointed three of the four members of the previous commission. The same actuarial staff served both commissions. The second commission reported in 1919, and submitted proposed legislation for the development of a pension policy as to all systems existing in the state or its municipalities. Such improvements as have been made in Illinois pension legislation are primarily the result of the investigations of these two commissions.

New Jersey created a pension and retirement fund commission in 1918 to investigate the problem of state and local pensions.⁷ This commission consisted of five members of the legislature and was assisted by the New Jersey Bureau of State Research. Six-

⁴ Report of the New York Commission on Pensions (1920).

⁵ *Ibid.*

⁶ See *American Political Science Review*, Vol. 12, p. 267.

⁷ New Jersey, Joint Resolution No. 3 (1918).

teen bulletins showing the need of a state pension system have been published, and a proposed scheme drafted. Governor Edge recommended in 1918 the standardization and coördination of existing systems and insisted on absolute solvency.

The Pennsylvania commission on old age pensions reported in March, 1919. It gave a thorough diagnosis of indigency in the state and an analytic description of old age pension methods in foreign countries but did not recommend much that is immediately constructive.

Wisconsin provided in 1919 for the organization of a pension laws commission in every city of the first class to investigate the operation of pension laws in such a city and of similar laws in other states and countries.⁸

The Milwaukee commission reported on November 15, 1920, with a proposal for four funds: policemen's, firemen's, teachers', and general municipal employees' annuity, and benefit funds; each to be managed by its own board of trustees and supervised by a commission of three members appointed by the manager. The funds were proposed to be supplied by a deduction of three per cent from the employees' salaries, and a public contribution of from six per cent to nine per cent of the amount of the salary of the employee. The commission recommended that a pension system should be established on a reserve basis, that specified funds to be appropriated each year be calculated by an actuary and the money be raised by direct taxation, that the costs be divided between the government and participants, and that the contribution of the employee be made on a percentage basis of his salary.⁹

The most recent state pension report was made in January 1921, by the Massachusetts legislature joint special committee on pensions. This committee was authorized "to consider the entire questions of pensions and retirement allowances provided under existing law for officials and employees of the Commonwealth and of the counties, cities, and towns."¹⁰ The committee re-

⁸ Wisconsin *Acts* (1919), ch. 514.

⁹ Report of the Milwaukee Pension Laws Commission (1920).

¹⁰ Report of the Massachusetts Legislative Joint Special Committee on Pensions (1921), p. 9.

ported that on August 1, 1920, there were in Massachusetts 2950 pensioners at an annual cost of \$1,535,647.32. This included all state and local pensioners.¹¹ They declared that the present pension laws "are lacking in system, and present the most glaring inequalities." Some employees are wholly without pensions. Others have pensions but contribute nothing. Some contribute one-half the real cost of their pensions. Some are compelled to retire, others are not. The age of retirement and the necessary length of service to qualify for a pension varies in the various branches of the civil service. Much special legislation is enacted for such employees as scrub women, laborers, police matrons, chauffeurs, certain electricians, signalmen, janitors, clerks and widows of employees. "This special legislation is generally passed, not on recommendation of the employing department in case of state employees or on recommendation of the governing body of the employing county, city, town, or district in the case of municipal employees, but at the solicitation and on the *ex parte* statements of the persons who will be benefited. By the frequent and indiscriminate passage of these special laws, a tempting invitation is held out to all to seek special favors by legislation. Furthermore, the passage of these special laws is productive of grave inequalities and discriminations, and consequent discontent."¹² The morale is thereby lowered.

The committee agreed that the contributions to a pension system should be on "the actuarial reserve plan" rather than on the cash disbursement plan. They endorsed the conclusion of Paul Studensky that "systems of the cash disbursement type are almost invariably unsound,"¹³ and approved the declaration of Lewis Meriam that "Under the actuarial reserve plan the taxpayers who receive the service pay all the obligation incurred by the government in respect to that service, whereas under the assessment or cash disbursement plan the taxpayers at the time the service is rendered pay the immediate wage only, and leave for

¹¹ Report of the Massachusetts Legislative Joint Special Committee on Pensions (1921), p. 9.

¹² *Ibid.*, p. 51.

¹³ Studensky, *Teachers' Pension Systems in the United States*, p. 136.

some future taxpayer the payment of the prospective benefits which have accrued in respect to that service.”¹⁴

The Massachusetts commission declared that “the liabilities which accrue for services rendered after a pension law goes into effect should be provided for by a reserve fund, so that the burden will be substantially equalized, and will be borne by the taxpayers who receive the benefit of the service on which the pensions are based,”¹⁵ and that “all future pension laws should be based on the contributory plan.”¹⁶

Upon the principles of this report, the Massachusetts committee drafted four proposed acts “to more nearly equalize the annual contribution to be made by the Commonwealth to the retirement system for teachers” and state employees. It is proposed to determine, at the time that the annual budget is under consideration, the exact amount needed for pensions. This will be determined by “basing the appropriations on the retirements of the previous year.” In this way the system may continue solvent.

Some of the principles involved in these reports had already been operative in previous legislation in other states, the greater part of which deals with municipal pensions.

Pensions for Municipal Employees. Five states have recently authorized pension systems for city employees. Such authorization is usually to take effect upon its acceptance by the governing officials of the municipalities or by a majority of the voters at a special election. The pension funds are usually administered by a board of trustees consisting of certain city officials or by a special commissioner who has the authority to appoint subordinate administrators, actuaries, and physicians. Approximately the average age of pension retirement is sixty years, the average necessary period of service is twenty years, and the pension is generally equal to one-half of the pensioner’s salary at the time of retirement.

¹⁴ Meriam, *Principles governing the Retirement of Public Employees*, pp. 325-326.

¹⁵ Report of the Massachusetts Legislative Joint Special Committee on Pensions (1921), p. 43.

¹⁶ *Ibid.*, p. 46.

Minnesota and New York adopted the most comprehensively organized plans in 1919. One of the Minnesota systems benefits the employees in the classified service of departments of health in cities of fifty thousand population which operate under a home rule charter.

The sources of the Minnesota pension funds are specifically indicated: "First, dues of its members and from the gifts of real estate or personal property rents, or money or other sources; second, an amount or sum equal to one-twentieth of one mill shall be annually assessed, levied and collected by the proper officers of such city where a health relief association exists, upon each dollar of taxable property in such city as appears on the tax records of such city."¹⁷

Such were the provisions for pensions in cities under home-rule government. The day after it was enacted, another law was passed to benefit the Minnesota cities which do not have home rule charters. It applies to cities having a population of fifty thousand and it benefits every employee of the city who is not elective. The age of retirement is established by a retirement board. Three classes of employees are to be pensioned: the contributory, non-contributory, and the exemption classes. The contributory class includes all of those employees who are not in the other two classes and all future entrants into the city civil service. The non-contributory class consists of all employees whose salaries or wages do not exceed \$750 a year. This includes all of the common laborers. The exemption class includes all persons serving in elective positions, on executive boards, non-resident employees, alien employees, pupil nurses, interns and staff physicians employed at the city hospitals, and all "employees who are members of, or who are eligible to become members of an organization or association on behalf of which a tax is levied against the city for the purpose of paying retiring allowances to disabled or superannuated employees." The administrative details will be operated on much the same plan as are the details of a private endowment insurance plan. The retirement board consists of five members who possess

¹⁷ Minnesota *Session Laws* (1919), ch. 430, p. 504.

the powers of a corporation. Refunds of pension payments are equitably provided for those who do not qualify for a retirement pension.

Somewhat different from the Minnesota plan is the municipal pension plan of New York. The 1919 New York act authorizes that pensions be paid out of the amount which the board of aldermen and the board of estimate and apportionment are empowered "to appropriate and provide in the annual budgets and tax levies or by the issues of special bonds for the payment" of the annuities.¹⁸ Prior to the enactment of the Eighteenth Amendment to the Constitution of the United States, pension funds had been obtained from excise moneys or liquor taxes that belonged to the city.

In 1920, these New York acts were supplemented by provision "for a retirement system for officers and employees whose compensation in whole or in part is payable out of the treasury of the City of New York."¹⁹ Managed by the board of estimate and apportionment this New York City Employees Retirement System became operative in October, 1920. The membership is inclusive, admitting laborers and both competitive and non-competitive employees. It also admits those employed in service "other than civil service, whether appointive or elective, as a paid official clerk or employee of the state of New York and of any municipality, county or part thereof and service for any public utility the ownership and operation of which has been taken over by the city. "When transferring to other service groups, the total time will be computed. The system is operated in detail on an actuarial basis and the age of retirement varies according to the nature of the occupation.

Five distinct pension funds are maintained by New York. First, the annuity savings fund. This is one in which are "accumulated deductions from the compensation of members to provide for their annuities, and their withdrawal allowances." Second, the "annuity reserve fund," from which are paid "all annuities and all benefits in lieu of annuities." Third, "the contingent reserve

¹⁸ New York *Session Laws* (1919), pp. 1161, 1505.

¹⁹ New York *Session Laws* (1920), pp. 427, 1056.

fund," in which are accumulated the reserves necessary to pay all pensions and all death benefits "allowable by the City of New York on account of the city service of members to whom prior service is not allowable." Fourth, "the pension reserve fund" is for the payments of "all benefits in lieu of pensions, allowable by the City of New York on account of the city service of members to whom prior service is not allowable." Fifth, the pension fund. This is for the payment of pensions for service to "members to whom prior service is allowable." These pensions do not apply to persons who are entitled to serve in the police, firemen or teachers' pension funds. Special legislation has empowered certain other New York cities to institute civil pension systems.

New Jersey provided in 1919 for pensions for overseers of the poor in cities of the first class. Financial provisions for these pensions are to "be made in the appropriation tax levy for the department of the public service from which such person shall be retired, and no pension shall close or become invalidated by reason of the abolition of the department or office in which he served."²⁰ In 1920 an amendment to a 1913 act authorized the maintenance of pension funds for employees of local boards of health in cities by compulsory deductions from salaries and by contributions from the state. Another act of 1920 makes it lawful for the appointing agency of municipal recorders to provide for the adequate retirement of such officers.

Illinois revised in 1919 some of her municipal pension laws. Employees of houses of correction who are contributors to the pension fund may retire after twenty years of service irrespective of age with a stipend of six hundred dollars a year.²¹ Pensions for park employees received additional modification. City taxes to subsidize such pensions were authorized. The rate of taxation was allowed to be raised as high as two-thirds of a mill on the dollar levied on the taxable property within the district of the park in which the pensionee had been employed. All annuities are to be "computed according to the American Experience Table of Mortality at four per cent interest."

²⁰ New Jersey *Session Laws* (1919), ch. 109, p. 260.

²¹ Illinois *Session Laws* (1919), p. 700.

Massachusetts provided in 1920 that the pension provisions for laborers in the city of Boston "shall include firemen, inspectors, mechanics, drawtenders, assistant drawtenders and store-keepers."²² No such laborer shall be pensioned in excess of four hundred dollars a year. Employees in correctional institutions and county training schools were allowed the same pension that had previously been extended to prison employees.

Oregon passed an act in 1919 to exempt from attachment and execution all civil pensions paid by the national, state, or local governments, and all private civil pensions paid by any "person, partnership, association or corporation."²³ Many other states inserted such a clause in their regular pension laws.

Firemen's Pensions. Much of the state legislation for municipal pensions in 1918-20 was for the benefit of firemen and policemen. Some acts were for the former or the latter especially. Other acts include both types of employees in the same piece of legislation. Three different systems were established: the straight plan, the contributory, and the part-contributory system.

Of the eastern states, Maine and New York made special authorization to certain cities to establish firemen's pensions. New Jersey revised her former laws in 1920 and provided that when the salary deductions, municipal taxes for pensions, fines, and donations are insufficient for the maintenance of the funds, the common council may make an additional levy on the city.²⁴ Massachusetts enacted that pensioned firemen may be called into temporary service in case of an emergency and receive in lieu of the pension, full pay for such service.²⁵

Kentucky authorized in 1920 a part-contributory system in cities of the second class similar to those of the cities of the first class.²⁶ The funds are placed under the exclusive control of boards of trustees. Judicial power is vested in those boards and their decisions "shall be final and conclusive, and not subject to revision or rehearsal," except by such boards.

²² Massachusetts *Session Laws* (1920), ch. 79, p. 131.

²³ Oregon *Acts* (1919), ch. 277, p. 453.

²⁴ New Jersey *Session Laws* (1920), ch. 160, p. 325.

²⁵ Massachusetts *Session Laws* (1920), ch. 60, p. 39.

²⁶ Kentucky *Acts* (1920), ch. 28, p. 110.

Oklahoma modified the judicial power of the pension boards in 1919 by providing that persons aggrieved by any decision in regard to pension claim "may appeal from such decision to the District Court of the County"²⁷ in which the city is located.

Missouri²⁸ and Kansas²⁹ in 1919 authorized cities to levy taxes for the support of firemen's pensions. Texas created an optional contributory plan to include fire alarm operators and policemen in cities of ten thousand population.

The legislatures of the northwestern states were particularly active in 1919 in the matter of firemen's pensions. Illinois amended the act of 1887 so that firemen may retire on half pay after twenty, instead of twenty-five,³⁰ years of service. Minnesota extended police and firemen provisions to officers of the telegraph, signal, and alarm services,³¹ and provided that the time that a fireman served in the army or navy during the great War "shall be considered as a part and portion of his active duty in such fire department." Utah instituted a straight payment pension plan, the funds for which are procured from taxes that are collected upon the fire insurance premiums.³² Montana made it unlawful for any member of a fire department relief association to receive pension benefits "and, at the same time, for the same casualty, an allowance under the Montana Workmen's Compensation Act."³³ Washington established a part-contributory system, the funds for which are to be procured from fees, gifts, instruments, taxes and firemen's contributions.³⁴

Policemen's Pensions. The pension legislation for policemen during 1919-20 was similar in character to that enacted for firemen. Lowering the age of retirement, increasing the sums of the pensions, and the rate of taxes to be levied for pensions was effected in Connecticut,³⁵ Minnesota,³⁶ and California.³⁷ Wis-

²⁷ Oklahoma *Session Laws* (1919), ch. 1, p. 1.

²⁸ Missouri *Session Laws* (1919), p. 582.

²⁹ Kansas *Acts* (1919), ch. 116, p. 161.

³⁰ Illinois *Session Laws* (1919), p. 743.

³¹ Minnesota *Session Laws* (1919), ch. 68, p. 68.

³² Utah *Session Laws* (1919), ch. 45, p. 108.

³³ Montana *Session Laws* (1919), ch. 66, p. 127.

³⁴ Washington *Session Laws* (1919), ch. 196, p. 668.

³⁵ Connecticut *Acts* (1919), ch. 277, pp. 29-48.

³⁶ Minnesota *Session Laws* (1919), ch. 152.

³⁷ California *Acts* (1919), p. 101.

consin authorized common councils to appropriate money to the pension funds to take the place of moneys which had formerly been paid into the pension funds from fees or retail liquor licenses.³⁸ Various employees who are auxiliary to the police departments, such as assistant matrons, chauffeurs, secretaries, marshals and detectives are included in pension provisions in Massachusetts,³⁹ Maryland,⁴⁰ and Iowa.⁴¹

Pensions for County Employees. Except on the Atlantic and the Pacific coasts little progress was made during 1918-20 in the matter of pensions for county employees. California provided a comprehensive act authorizing counties to establish a retirement system for the payment of annuities, or the payment of total sums in lieu of annuities.⁴² This pension system is part-contributory and the contributing employees include both the appointive officers and the other county employees. All non-elective employees of the county who accept the act must become members of the pension association. When a member leaves the service of the county for any reason other than permanent disability before regular retirement, he or his legal representatives will be refunded the contributions with interest. "Mortality and annuity tables based upon the rate and interest" shall be presented by the insurance commissioner.

In contrast to this carefully applied California system, Oregon passed the inevitable special pension act.⁴³ This was to authorize Multnomah County to grant a special pension to an employee of the county court house who had served twenty-eight years.

On the Atlantic coast, county pensions have been developed in those states where the population is most congested. New York empowered King's County to extend pensions to clerks, stenographers, interpreters, detectives, jury wardens, probation officers, messengers and attendants.⁴⁴ Pennsylvania provided

³⁸ Wisconsin *Acts* (1919), ch. 262, p. 284.

³⁹ Massachusetts *Acts* (1919), ch. 115, p. 78.

⁴⁰ Maryland *Session Laws* (1920), ch. 69, p. 130.

⁴¹ Iowa *Session Laws* (1919), ch. 344, p. 447.

⁴² California *Acts* (1919), ch. 373, p. 782.

⁴³ Oregon *Acts* (1919), ch. 268, p. 444.

⁴⁴ New York *Session Laws* (1918), p. 1003.

pensions for employees of counties having between one million and one million five hundred thousand inhabitants.⁴⁵ New Jersey provided half-pay pensions for all county employees who have served forty years and have reached the age of sixty-five.⁴⁶ Massachusetts provided refunds with interest for county employees who leave the service before becoming eligible to a pension.⁴⁷

Pensions for sheriffs, prothonotaries, registrars of deeds, registrars of probate, judges and clerks of the county courts, who have held office for forty consecutive years were provided by Nova Scotia in 1918.

Pensions for State Employees. Several states established various types of pensions for state employees and amended earlier laws. New York revised her 1909 laws for the retirement of employees in state hospitals for the insane. The retirement fund which is to be permanent is to be acquired by deductions from salaries for leaves of absence without pay, leaves for sickness, and from other sources.⁴⁸ Pensions were extended to all persons employed under the superintendent of state pensions,⁴⁹ employees of state charitable institutions,⁵⁰ and to clerical employees of the Supreme Court.⁵¹

In 1920 New York enacted a more comprehensive and inclusive system of state civil service pensions.⁵² It is similar in plan to that established for the New York City employees, including the contributory feature. Membership in the new plan began on January 1, 1921, and includes practically all persons in the state civil service.

Employees are classified in groups according to occupations. Group one includes male clerks and "administrative professional and technical employees engaged upon duties requir-

⁴⁵ Pennsylvania *Session Laws* (1919), No. 100, p. 138.

⁴⁶ New Jersey *Session Laws* (1918), ch. 164, p. 489.

⁴⁷ Massachusetts *General Acts* (1918), ch. 104, p. 79.

⁴⁸ Nova Scotia *Statutes* (1918), ch. 22, p. 592.

⁴⁹ New York *Session Laws* (1919), ch. 207, p. 798.

⁵⁰ *Ibid.* (1920), ch. 794, p. 19134.

⁵¹ *Ibid.* (1918), ch. 508, sec. 117, p. 1627.

⁵² *Ibid.* (1920), ch. 741, p. 1806 ff.

ing principally mental exertion;" group two consists of female clerks; group three, mechanics and laborers; group four, male employees in state institutions; group five includes female employees in state institutions. These classifications are managed by the comptroller who is the head of the retirement system. As in some other states, four options were allowed as to the payment of the pensions.

Connecticut⁵³ and Maine⁵⁴ enacted similar state civil service retirement laws in 1919. New Jersey provided in 1917 a half-pay pension for sergeants-at-arms of the court of claims.⁵⁵ Massachusetts made provision in 1920 for the retirement of fish and game wardens.⁵⁶

Several acts providing for special pensions to civil employees have recently been passed in New York,⁵⁷ Newfoundland,⁵⁸ Quebec,⁵⁹ and Cape of Good Hope.⁶⁰

Pensions other than those for clerical employees have been recently instituted in many states in the form of annuities for judges, teachers, mothers, and indigent aged persons.

Judiciary Pensions. Louisiana by constitutional amendment in 1910 provided for pensioning supreme court judges, and by further amendment in 1918 provided for pensioning judges of lower courts. Legislation for judiciary pensions has been recently enacted in New Jersey, Illinois, and Australia. In 1920 New Jersey provided that disabled judges might retire on half pay before reaching seventy years of age and before serving the ordinary fourteen years.

Illinois decided in 1919 to pension judges who should retire after having served as judges in the courts an aggregate of twenty-four years and having attained the age of sixty-five.⁶¹ This pension is to be granted to "any judge of a court of record in the

⁵³ Connecticut *Session Laws* (1919), ch. 210, p. 2867.

⁵⁴ Maine *Public Acts* (1919), ch. 38, p. 35.

⁵⁵ New Jersey *Session Laws* (1919), ch. 153, p. 340.

⁵⁶ Massachusetts *Acts* (1920), ch. 304, p. 321.

⁵⁷ New York *Session Laws* (1920), ch. 725, p. 1784.

⁵⁸ Newfoundland *Statutes* (1919), ch. 39, p. 117.

⁵⁹ *Statutes of Quebec* (1920), ch. 22, p. 69.

⁶⁰ *Ordinance of Province of the Cape of Good Hope* (1918), p. 56.

⁶¹ Illinois *Session Laws* (1919), p. 413-14.

state of Illinois whether of the Supreme, Circuit, Superior, Probate, County, City or Municipal Court."

Teachers' Pensions. Teachers' pensions systems have been modified in a few states. New Jersey, which has been the storm center of teachers' pension controversies, litigation and agitation since 1903, again had her laws revised in 1920. Practically all legal obstacles to a complete development of a model pension system now seem to have been completely swept aside in New Jersey, by legislation subsequent to the ruling in the case of *Allen v. Board of Education of the City of Passaic*,⁶² in 1911. The constitutionality of the pension law was established in this critical case. It was held that deductions from teachers' salaries were a part of the contract and such deductions "do not constitute the taking of property without due process of law or the taking of private property for public use without just compensation." Such deductions are not "an exercise of the taxing power of the state" and the law which authorizes it is "not a private, local, or special law."

The 1920 act supplements this decision by providing that "should a contributor die before retirement, his accumulated deductions shall be paid to his estate or to such person having an insurable interest in his life as he shall have nominated." Four optional annuities are permitted.

Maryland modified her laws in 1920, established the Maryland teachers' retirement system, created a retirement fund, and provided for the payment of annuities to teachers in state educational institutions who retire or become disabled.⁶³ The system is noncompulsory. Teachers may become members upon application if the application is approved by the retirement board.

General superintendents of schools will be entitled to teachers pensions in Porto Rico by virtue of 1919 legislation.⁶⁴

National Civil Service Pensions. Until May 22, 1920, the United States was the only great western nation which had no general pension system for its civil service employees. There had been pensions for certain government officials and em-

⁶² New Jersey *Law Reports*, Vol. 81, p. 135.

⁶³ Maryland *Acts* (1920), ch. 447, p. 154.

⁶⁴ Porto Rico *Statutes* (1919), No. 7, p. 110.

ployees, but there was no general retirement system for the main body of the civil service. Practically no attention was given to the subject in America until the twentieth century, although civil pensions had been developing in European states since the Council of Chalcedon in 451 A.D., and although military pensions in America had developed to gigantic and discreditable proportions since 1636, when the Plymouth Pilgrims inaugurated such pensions. But on May 22, 1920, after a decade of intense agitation, Congress passed "an Act for the retirement of employees in the classified civil service."⁶⁵

It is a compulsory, part-contributory civil pension system. Employees are eligible to retire at seventy years, and they must retire at seventy-four provided they have served fifteen years. Mechanics, city and rural letter carriers, and post office clerks, however, are eligible to retire at sixty-two years of age, after fifteen years of service.

A deduction of two and one-half per cent of the employees basic salary is paid into "the civil-service retirement and disability fund." Should the contributor become separated from the civil service before arriving at the age of retirement, he will be refunded his deductions at four per cent interest compounded.

"For the purpose of determining the amount of annuity which retired employees shall receive," the employees are divided into six classes according to the length of their periods of service which varies from fifteen to thirty years. Likewise the corresponding annuities vary from a rate equal to thirty per cent of the basic pay to sixty per cent of the basic pay of the employee. The annuities are paid monthly. The pension system is administered by the commissioner of pensions under the supervision of the secretary of the interior. A board of actuaries is created consisting of three members.

The provisions of the pension system "may be extended by executive order, upon recommendation of the civil service commission, to include any employee or group of employees in the civil service of the United States not classified at the time of the passage" of the act.

⁶⁵ *Statutes of the U. S.*, 66th Cong., 2nd Session, ch. 195, p. 614.